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United States District Court
Northern District of California

Goodman Ball, Inc
v.
Clearwater USA, Inc, et al

Case No:
007-01448-B2
MED

MEMORANDUM OF UNDERSTANDING

A mediation was conducted in this action on February 13, 2008 and attended by representatives of Plaintiff ("GBI") and Defendant ESCAPE Velocity of Tampa Bay, Inc. ("ESCAPE Velocity") & counsel. Vicki S. Veenker, Esq., presided as mediator. The parties agreed to settle this action on the following terms:

1. ESCAPE Velocity shall pay GBI \$110,000.00 in installments as follows:
- | | | | |
|----------|----------|--------------|--|
| \$35,000 | \$20,000 | on or before | MARCH ^{APRIL} 15, 2008 |
| \$30,000 | \$25,000 | on or before | AUGUST 15, 2008 |
| \$25,000 | \$30,000 | on or before | February 15, 2009 |
| \$20,000 | \$35,000 | on or before | AUGUST 15, 2009 |

2. The foregoing payments shall be credited to a \$500,000⁰⁰ royalty ^{due to} to be earned by GBI upon the sale of certain water purification units ("the Units")

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The \$5,000 royalty shall
be earned upon the sale
of each Unit.

3. If the sale of a Unit originates
with or is generated by GBI,
GBI shall be paid a royalty
of \$7,500 upon the sale of ~~that~~ each Unit.

4. GBI consents to the sale
of Units outside of the United States
~~and for~~ to non-U.S. military purchasers
only.

5. The parties shall stipulate to the
dismissal of the Action with prejudice,
with the Court retaining jurisdiction
to enforce the terms of the
settlement.

6. In the event of a default in
payments, GBI shall give notice
by facsimile to Escape Velocity
at (813) ~~228-4988~~ 628-4988
and to Escape Velocity's attorney
Caryl Delano at (813) 228-6000.

If the default is not cured within five (5)
days, GBI may seek entry, ex parte,
of judgment against Escape Velocity and

MACH II in the amount
of \$150,000⁻, less credit
for payments made.

7. The parties agree that the
promises made shall be more fully
described and finalized in a formal
"Settlement Agreement and Release of
Claims" to be signed by the
parties. In the event that no
additional Settlement Agreement is ever
signed by the parties, this Term Sheet
is intended to be, and shall serve as,
a valid and enforceable contract.

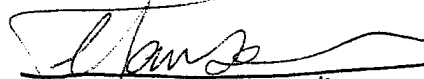
8. The parties agree that Vicki S. Veenker, Esq.
shall retain jurisdiction to resolve disputes
relating to the drafting of the Settlement Agreement

Date: 2/13/08

GOODMAN BALL, Inc.

By 
GAVIN BALL

DATE: 2/13/08


Michael S. Ahmadshahi
Attorney for Goodman
Ball Inc.

DATE: 2.13.08

Escope Velocity of Tampa
Bay Inc.

By Peter Arger

Date: 2/13/08

P. E. Allons
CARYL E. DELAHO
Attorney for
ESCAPE VELOCITY OF
TAMPA BAY, Inc. &
MACH II AVIATION, Inc.
& Solar Diesel
Corporation.

ADDENDUM

9. The parties shall each bear their own attorneys' fees and costs.
10. CBI shall withdraw its pending motion for sanctions.
11. Solar Diesel Corporation shall execute a UCC-1 Financing Statement & Security Agreement in favor of CBI to secure the payments hereunder.

U.A.
G.B.
[Signature]